

# Fairfax County Economic Index

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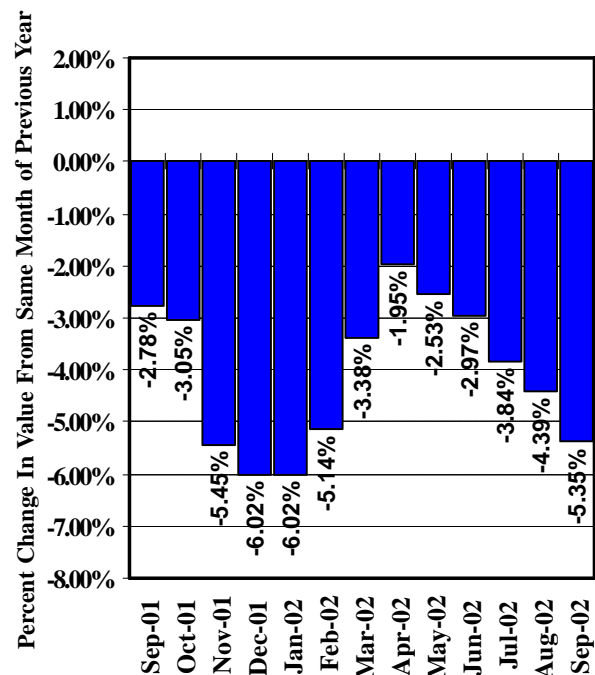
## Summer Slowdown Continues into September Leading Indicators Strengthen

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, declined to 119.1 in September, down 1.8 percent from its August level. This decrease was its third monthly decline in a row and fifth in the last six months. For the year, the Coincident Index is down 5.35 percent and is off 10.1 percent from its peak value in January 2001. The County's economy has been under-performing its historic trend now for 17 months dating back to March 2001. In September, three of the Index's four components were negative.

- Total employment decreased in September for the fifth time in six months;
- Sales tax collections, adjusted for inflation and seasonal variation, were sharply lower following two monthly gains; and,
- Consumer confidence (in the present) decreased for the third consecutive month; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased following six monthly declines.

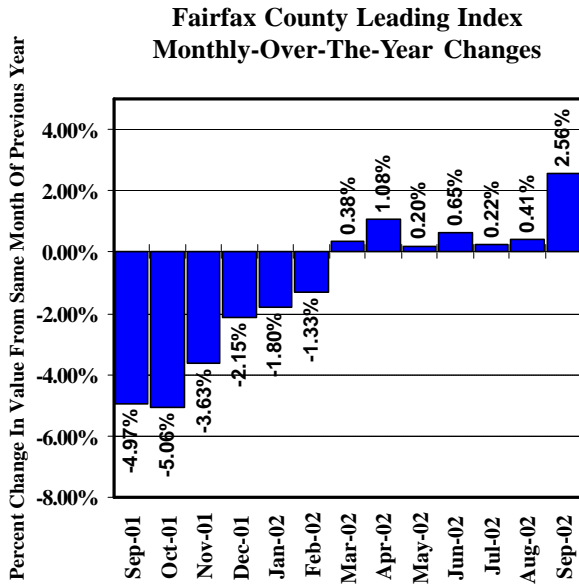
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 103.6 in September, for a gain of 0.01 percent. The Leading Index has

**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

increased in three of the last four months and is up 2.56 percent from its September 2001 level. On a monthly over-the-year basis, the Leading Index has exceeded its same-month values in 2001 for seven consecutive months, providing a strong signal that the County's economy is positioned for renewed expansion in the coming months.



Source: Center for Regional Analysis, George Mason University

In September, three of the Index's five components contributed to its gain.

- Initial claims for unemployment insurance decreased (improved) in September for the third time in four months;
- Consumer expectations reversed their downward trend; and,
- Residential building permits increased following five months decline; while,
- New automobile registrations declined for a second month; and,
- The total value of residential building permits decreased after two strong monthly gains.

The Fairfax County economy weakened further in September extending its pattern of deceleration to a sixth month after having registering a slow month-to-month recovery in the year's first quarter after the September 11 terrorist attack had undercut the economy's fourth quarter performance. In contrast, the economy's leading indicators are pointing higher and the 12-month moving average trend continues to slowly increase from its January 2002 low. This slowly improving leading edge of the County's economy should carry

the overall economy higher during the fourth quarter and position it for more solid gains in 2003.

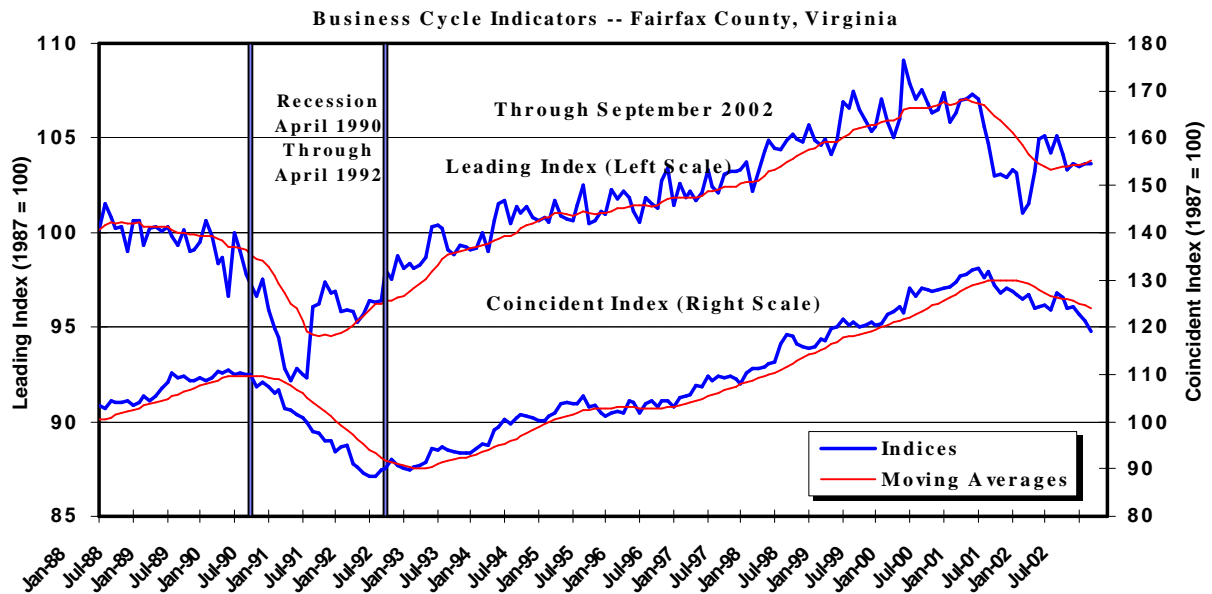
## CURRENT CONDITIONS

Uncertainty has continued to plague the County economy as it has the regional and national economies. Consumer confidence in the present fell to 99.2 in September, dropping below the 100 level for the first month since the beginning of the year. Historically, confidence levels below 100 correspond to recessionary conditions. Confidence has fallen 24 percent since June as concerns about war with Iraq increased and the financial markets weakened.

Consumer spending normally parallels the confidence trend although through most of the current slowdown, consumer spending has helped to carry the economy. Still, some weakness is evident. New automobile registrations fell in September and have been down in eight of the last twelve months. Retail sales have also fluctuated. While gains were registered in July and August, sales have been down in three of the last five months. On a monthly over-the-year basis, however, retail sales, adjusted for inflation and seasonal variation, were up 11.1 percent in September. Still, weaker consumer spending during the second and third quarters has not supported the economy's strong expansion in the first quarter.

Labor market conditions have been slowly improving over the past quarter. Even though the employment base has not been expanding, lay offs have declined and it appears that the labor market has now reached its equilibrium point. Two important measures confirm the labor market's growing health. Unemployment levels were steady over July and August and registered slight improvement in September. More indicative, however, has been the rapid decline (improvement) in the number of initial claims for unemployment insurance. New claims peaked in July (reflecting lay offs in the telecommunications industry) at 2,211. Claims in September totaled 1,496, for a 33 percent decline. September's claims were the lowest in 17 months dating back to April 2001.

With initial claims falling back to normal levels, the hiring that has been occurring in the



Source: Center for Regional Analysis, George Mason University

County through the past year should now begin to register as gains where previously these gains had been offset by the high levels of job losses. Renewed job growth will accelerate the generation of disposable income that has continued to increase in spite of the weak labor market as a result of productivity gains and increases in the number of hours being worked. These gains in income will accelerate spending and stimulate the economy's growth.

Other positive signs of the economy's emergence from the summer doldrums are seen in September's turnaround in the hospitality industry; transient occupancy tax collections increased for the first time since February and these should continue to strengthen in October which is one of the industry's more important travel months. And, new residential building permits increased sharply in September after two weak months and continue to far outpace last year's level. The current strength in the County's housing market and its future growth will support the sale of furniture, home furnishings, and appliances that have been leading the gains in retail sales this year.

## ***NEAR-TERM OUTLOOK***

The continuing slow increases in the Leading Index provide a clear signal that the

County's economy is positioned for accelerating growth. The Leading Index has outperformed its same-month levels each month since February and is up 2.6 percent from its value in September 2001. In the absence of any new shocks to the County's economy, it should begin to outperform its same-month 2001 levels before the end of 2002. As fourth quarter data become available, the measures of the economy's current performance should each become positive on a continuing basis. Already, the hospitality industry has shown gains. Consumer spending and job growth should follow in the coming months.

The first indication of this turnaround will be an increase in consumer confidence. With the elections over and war with Iraq put off at least until March (or as long as the UN weapon inspectors remain in-country), and with the financial markets registering gains in each of the last six weeks, consumer confidence should have already turned positive. As the October data become available, it will be increasingly clear that October was in fact the turning point from this year's six-month slowdown following the strong first quarter. The gains that will be registered in the last three months of 2002 should pave the way for a more stable pattern of growth in 2003, although the rate of growth will remain slow in the new year's early months before accelerating in the second half.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Sep-02 Prelim.	Aug-02 Final	Sep-01 Final	Aug-02 to Sep-02	Sep-01 to Sep-02
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	119.10	121.26	125.83	-1.79	-5.35
Leading Index (1987 = 100)	103.63	103.61	101.04	0.01	2.56
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	559,480	560,979	555,573	-0.27	0.70
<i>Total Covered Employment (Unadjusted)</i>	<i>560,084</i>	<i>561,249</i>	<i>556,173</i>	<i>-0.21</i>	<i>0.70</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	269	262	342	2.57	-21.43
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>509</i>	<i>513</i>	<i>626</i>	<i>-0.73</i>	<i>-18.76</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,116	9,062	7,303	-10.44	11.13
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,437</i>	<i>11,246</i>	<i>9,590</i>	<i>-7.19</i>	<i>8.83</i>
South Atlantic Consumer Confidence	99.2	110.1	139.5	-9.90	-28.89
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	5,849	6,110	5,129	-4.28	14.04
<i>Automobile Registrations (Unadjusted)</i>	<i>6,651</i>	<i>6,907</i>	<i>5,832</i>	<i>-3.71</i>	<i>14.04</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,787	1,871	1,962	-4.50	-8.95
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,496</i>	<i>1,726</i>	<i>1,643</i>	<i>-13.33</i>	<i>-8.95</i>
South Atlantic Consumer Expectations (Unadjusted)	99.5	95.1	82.4	4.63	20.75
Residential Building Permits (Number of Units, Seasonally Adjusted)	504	374	263	34.71	91.84
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>541</i>	<i>421</i>	<i>282</i>	<i>28.50</i>	<i>91.84</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	20,712	29,912	20,537	-30.76	0.85
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>35,448</i>	<i>57,229</i>	<i>33,993</i>	<i>-38.06</i>	<i>4.28</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	592,747	587,365	597,242	0.92	-0.75
<i>Total Labor Force (Unadjusted)</i>	<i>588,472</i>	<i>595,465</i>	<i>592,935</i>	<i>-1.17</i>	<i>-0.75</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.79	3.00	2.24	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>3.00</i>	<i>3.07</i>	<i>2.45</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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